

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California

Wednesday, September 25, 2019, 11:00 a.m.
555 W. 5th Street, 35th Floor, Los Angeles, CA 90013

Beverly Hills City Hall
4th Floor, Conference Room 4B
455 N. Rexford Drive, Beverly Hills, CA 90210

Camarillo City Hall
Executive Conference Room
601 Carmen Drive, Camarillo, CA 93010

Carson City Hall
Executive Conference Room
701 E. Carson Street
Carson, CA 90745

Rolling Hills Estates City Hall
4045 Palos Verdes Drive N.
Rolling Hills Estates, CA 90274

I. WELCOME & ROLL CALL

Chair Julian Gold called the meeting to order at 11:03 a.m. and Board Secretary Rigoberto Garcia conducted roll call.

Roll Call			
Beverly Hills	Julian Gold	Committee Chair	Remote
Camarillo	Tony Trembley	Committee Member	Remote
Carson	Reata Kulcsar	Committee Member	Remote (11:09 a.m.)
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica	Pam O'Connor	Committee Member	Absent

II. GENERAL PUBLIC COMMENT

There were no public comments.

III. CONSENT AGENDA

1. Approve minutes from August 28, 2019 Finance Committee Meeting
2. Receive and file July Monthly Financial Dashboard
3. Receive and file September 2019 Risk Management Team Report

- Motion:** Committee Member Trembly, Camarillo
- Second:** Committee Member Zuckerman, Rolling Hills Estates
- Vote:** Items 1 through 3 were approved by a roll call vote 3-0-2, Committee Members Kulcsar and O'Connor were absent.

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, discussed developing a Collection Policy for the agency. Mr. McNeil indicated Southern California Edison (SCE) collects customer accounts up to 180-days past due. Accounts more than 180 days past due are turned over to CPA for collection. Mr. McNeil anticipates that up to \$4 million annually will be turned over to CPA for collection. Mr. McNeil stated that historically CCA collection efforts have been poor due to Investor Owned Utilities (IOU) unwillingness to provide critical information to CCAs. Mr. McNeil indicated CPA is interested in collaborating with the same agents that SCE uses for collections and that SCE appears open to that idea.

Committee Chair Gold asked how CPA can benchmark performance. Mr. McNeil answered that staff will develop collection matrices but that historically CCAs have had lower collection rates than the IOUs.

Committee Member Trembly asked what regulations the collection agency follows and what governs their actions. Mr. McNeil indicated staff will provide more information on this topic in conjunction with the development of the Collections Policy.

Mr. McNeil announced that CPA has hired a new Controller, Hui Lisano, who would soon join the team. Mr. McNeil indicated one of the goals he and the Controller will work on will be to build an internal accounting team. Committee Member Zuckerman asked if a cost analysis has been performed to determine the benefit of an internal team versus an outsourced one. Mr. McNeil responded that cost would be comparable or slightly higher and that CPA expects to benefit from

improved performance and accuracy and the alignment of internal accounting systems with CPA's other systems.

Mr. McNeil indicated CPA paid off the River City Bank line of credit on August 20th, drew an additional \$7-8 in September and then paid off the line of credit again on September 20th. Mr. McNeil indicated CPA has approximately \$15 million in the bank and does not project re-using the line of credit again this calendar year. Mr. McNeil further indicated that with \$18 million in cash and \$37 million in credit, CPA is in a strong liquidity position.

On financial performance, Mr. McNeil indicated the out-opt rates were at 13.5% by load, an amount that was higher than anticipated resulting in lower revenue. The financial performance was influenced by mild weather resulting in lower demand. Mr. McNeil noted that summer peak electricity demand in 2019 was the lowest it had been since 2003. Mr. McNeil indicated CPA was structurally long to hedge against the downside risk of higher prices during peak demand periods.

Committee Member Trembley said if it had been almost two decades since electricity demand was this low, would it be proper to use a 1 to 20 ratio probability to characterize projections on the Financial Dashboard. Mr. McNeil indicated that a 1 to 20 ratio is an initial assessment and that CPA will understand more after receiving settlement quality meter data approximately 10 weeks after a month ends. Mr. McNeil indicated the data needs to be available before an analysis and comparison can occur, however generally CPA positions itself to mitigate against downside risk.

Committee Member Kulcsar asked if staff can provide details on the cost of being long on energy when it becomes available. Mr. McNeil stated he can provide figures for the 2019 summer with performance metrics by the January 2020 Committee meeting. Committee Member Zuckerman commented CPA needs to be long as insurance against higher pricing.

Committee Member Zuckerman asked about cash equivalents in terms of restricted versus unrestricted figures, specifically why a \$10 million loan due to Los Angeles County is not reflected as restricted. Mr. McNeil indicated that restricted cash is primarily based on minimum deposit in lockbox account which is \$6 million and debt service accounts which represents 10% of borrowings. He further indicated that loan proceeds in accounting are not represented as restricted, but that the Los Angeles County loan would be reflected in cashflow forecasts.

Committee Member Zuckerman asked if there have been changes in the spot market, and whether upcoming months would have similar cost profiles. Mr. McNeil indicated costs for August and September are anticipated to be similar, coming below the anticipated budget but with a continued surplus.

Committee Chair Gold asked if CPA sells any long positions and where the revenue is reflected. Mr. McNeil responded that CPA sells excess energy on the spot market and that revenue is reflected in the month in which energy is delivered as part of the cost of energy. Committee Chair Gold asked if the monthly summary figures can include the bottom line figures resulting from the sale of long positions in the spot market and bilateral sales. Mr. McNeil responded he can provide MW hours sold over the month but that the revenues from the sales would be indicated in the cost of energy and cautioned disclosing market information in the public domain.

Committee Chair Gold asked about the composition of the 13.5% opt-out rate. Ted Bardacke, Executive Director, answered that given the actions on the subset customers, he was surprised the opt-out rate was not higher and they appear to be levelling out with the inclusion of new customers. He further discussed commercial customers whose opt-out rates were higher contributing to CPA being long during the summer months. Mr. Bardacke indicated staff is communicating with large commercial customers who have not yet decided on what to do and internally staff is developing an outreach plan to recapture customers who have left CPA. Mr. Bardacke discussed that some CCA's have contract rates for large

customers and that option would be considered when CPA is in that financial position.

Committee Chair Gold asked how often budget projections are evaluated. Mr. McNeil indicated staff revises projections on an on-going basis and can provide updates internally.

On the Banking Agreement, Mr. McNeil discussed the Letter Agreement between CPA and River City Bank that adjusts CPA's loan covenants. Mr. McNeil indicated adjustment to the loan covenants is positive and reaffirms River City Bank's comfort with CPA's risk profile. Committee Member Trembley asked whether the credit covenant relates to cash equivalent restricted funds, and if it does, how its affected. Mr. McNeil responded he does not expect a change to the restricted funds. Committee Member Kulcsar asked if there were any changes to fees or rates with the amended covenants. Mr. McNeil answered there would be no changes. Committee Member Zuckerman asked what is the daily balance at River City Bank. Mr. McNeil answered that will range from \$10 to \$40 million.

On the 2018-19 Financial Audit, Mr. McNeil indicated that the audit is on track and scheduled for presentation at the October Committee meeting. Mr. Bardacke noted that the October Committee meeting would begin early at 10:30 a.m. Committee Chair Gold asked staff to evaluate whether closed session discussion can occur regarding the audit.

V. COMMITTEE MEMBER COMMENTS

There were no additional Committee Member comments.

VI. ADJOURN

Committee Chair Gold adjourned the meeting at 12:01 p.m.